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Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 INR-07 NSAE-00 FAA-00 L-03 /027 W
----------171336Z 079934 /47
R 162024Z MAR 77
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC 488
INFO AMEMBASSY CARACAS

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CARACAS FOR SAM KEITER

E.O. 11652: N/A
TAGS: EAIR, CO
SUBJ: CIVAIR-MEETING ON USER CHARGES AND FUEL PRICES
AND TAXES

REF: STATE 030990

1. IN ALL DAY MEETING CHARACTERIZED BY COOPERATION ON THE PART OF THE COLOMBIAN DELEGATION THE FOLLOWING EMERGED:

A. THE COLOMBIAN SIDE CONFIRMED THAT COLOMBIAN TAX RESOLUTION 85-77 HAD BEEN ISSUED PROVIDING FOR THE REFUND TO BRANIFF OF ALL FUEL TAXES PAID PRIOR TO OCTOBER 8, 1976. THE FIRST FIVE HUNDRED THOUSAND PESOS ARE TO BE PAID VERY SHORTLY AND THE REMAINDER, ABOUT TWO MILLION PESOS, WITHIN A FEW WEEKS.

B. THE COLOMBIAN DELEGATION SAID THAT STUDIES WERE IN PROGRESS TO IDENTIFY SOME WAY IN WHICH BRANIFF COULD BE EXEMPTED FROM THESE TAXES AND NOT HAVE TO GO THROUGH THE REFUNDING PROCESS. IN THE MEANTIME THE COLOMBIANS PROMISED THEY WILL DO THEIR UTMOST TO EXPEDITE THE REFUND
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APPLICAION PROCESS.

C. WITH REGARD TO THE 13-CENT PRICE DIFFERENTIAL OF FUEL DELIVERED TO BRANIFF AND AVIANCA, THE COLOMBIANS ARGUED THAT HIGH PRICE FOR BRANIFF WAS INTENDED TO DISCOURAGE THE CONSUMPTION OF FUEL IN BOGOTA, TO WHICH IT IS DIFFICULT TO TRANSPORT SUFFICIENT AVIATION FUEL, AND

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FURTHER THAT THE DIFFERENTIAL IN FAVOR OF AVIANCA IS
NOT CONTRARY TO THE BILATERAL. THE COLOMBIANS ARGUED
THAT ARTICLE 8 REFERS ONLY TO AN EQUAL RIGHT TO OPERATE
AND THAT FUEL PRICES DO NOT APPEAR IN ARTICLE 7, WHICH
SPEAKS SPECIFICALLY OF DISCRIMINATROY PRACTICES. USDEL
RESPONDED THAT ARTICLE 7 WAS NOT INTENDED TO BE EX-
HAUSTIVE BUT SIMPLY ATTEMPTED TO DEAL WITH CERTAIN
PROBLEMS FORESEEN BY THE NEGOTIATORS. DISCRIMINATION
IN FUEL PRICES WOULD STILL BE CONTRARY TO THE SPIRIT
OF THE BILATERAL, AS SET FORTH IN THE FIRST CLAUSE OF
THE ARTICLE. AS FOR ARTICLE 8, TO HAVE ANY MEANING AT
ALL, IT MUST MEAN THAT THE AIRLINES OF BOTH PARTIES
WOULD HAVE EQUAL OPPORTUNITY TO MAKE A PROFIT. THE
U.S. SIDE ALSO POINTED OUT THAT IF BRANIFF IS TO BE
CHARGED A HIGH PRICE TO DISCOURAGE FUEL PURCHASES IN
BOGOTA, SO SHOULD AVIANCA.
AFTER DISCUSSION OF POSSIBLE LIMITATIONS OR REDUCTIONS
OF AVIANCA'S ACCESS TO DOMESTIC FUEL IN THE U.S., THE
COLOMBIANS ASSURED USDEL OF THEIR INTENTION TO RESOLVE
THE PROBLEM AND ASKED FOR ASSURANCES THAT NO ACTION WOULD
BE TAKEN AGAINST AVIANCA'S ALLOCATION IN THE
IMMEDIATE FUTURE, AND THAT THEIR SUPPLEMENTAL ALLOCATON
WOULD BE APPROVED THROUGH JUNE 30TH. THE COLOMBIANS
PROMISED TO REMAIN IN CLOSE CONTACT WITH THE EMBASSY AS
THEIR CONSIDERATION PROCEEDS. USDEL SAID THAT IN VIEW
OF THE DAY'S DISCUSSIONS, AND ASSUMING THAT THE PICTURE
DOES NOT CHANGE SUBSTANTIALLY, IT WOULD SO RECOMMEND.

D. THE U.S. DELEGATION POINTED OUT THAT THE
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COLOMBIAN FUEL PRICE TO BRANIFF OF FIFTY-FIVE CENTS A
GALLON IS OUT OF LINE BOTH WITH AVIATION FUEL PRICES IN
THE U.S. AND WITH THOSE IN THE CARIBBEAN. THE COLOMBIAN
DELEGATON REPLIED THAT COLOMBIAN PETROLEUM PRODUCTON
IS DECLINING MUCH MORE RAPIDLY IN PROPORTION TO CONSUMP-
TION THAN IN THE U.S., AND THAT IN RELATION TO COST IN
THE CARIBBEAN THE PRINCIPAL PROBLEM IS TRANSPORTATION TO
BOGOTA. UNDER FURTHER QUESTIONING THE COLOMBIAN RE-
PRESENTATIVE STATED THAT THE MAJOR BOTTLENECK WAS IN
THE LACK OF OFFLOADING AND STORAGE FACILITIES AT
COLOMBIAN ATLANTIC COAST PORTS. THE COLOMBIAN SIDE
OFFERED TO DISCUSS WITH AIRLINE REPRESENTATIVES THE
POSSIBILITY OF CONSTRUCTING SUCH FACILITIES. THEN
THE AVIATION FUEL PRICE IN BOGOTA, WHICH NOW INCLUDES
A PREMIUM OF TEN OR MORE CENTS A GALLON TO RESTRAIN
CONSUMPTION, COULD BE REDUCED TO REFLECT ACTUAL COSTS.
THE COLOMBIAN SIDE SAID THAT IT APPEARED THAT SUCH
IMPORTS WOULD BE EXEMPT FROM DUTY, BUT IT WISHED TO
STUDY THE QUESTION FURTHER BEFORE MAKING A DEFINITE

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STATEMENT.

E. THE COLOMBIAN USER CHARGE SYSTEM WAS DISCUSSED AT SOME LENGTH. THE COLOMBIAN REPRESENTATIVE OF THE CIVIL AVIATION AUTHORITY FRANKLY RECOGNIZED THAT BECAUSE OF ADMINISTRATIVE DIFFICULTIES THE FIGURES ON WHICH THE SYSTEM WAS BASED WERE OFTEN ESTIMATES SUBJECT TO SIGNIFICANT ERROR, BUT HE ASSURED USDEL THAT THE COLOMBIANS AGREE FULLY THAT A CHARGE SYSTEM SHOLD BEAR A REASONABLE RELTIONSHIP TO COST AND BE NON-DISCRIMINATORY. HE PROMISED TO SUPPLY MORE COMPLETE COST INFORMATION AS SOON AS STUDIES PRESENTLY UNDER WAY ARE COMPLETED, HOPEFULLY WITHIN SIX MONTHS. HE SUGGESTED THAT IT MIGHT BE WORTHWHILE FOR EXPERTS OF THE FAA TO DISCUSS POSSIBLE IMPROVEMENTS WITH RESPONSIBLE OFFICIALS OF THE CAA. HE STATED THAT THE RECEIPTS ANTICIPATED IN THE 1977 BUDGET FROM AVIATION USER CHARGES ARE SEVEN
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HUNDREDMILLION PESOS, OF WHICH DOMESTIC LANDING FEES ARE TO ACCOUNT FOR 120 MILLION PESOS, DOMESTIC PASSENGER FEES FOR 150 MILLION, INTERNATIONAL LANDING FEES 120 MILLION, INTERNATIONAL PASSENGER FEES 155 MILLION, AND OVERFLIGHT CHARGES, ASSESSED ONLY ON FLIGHTS NOT STOPPING IN COLOMBIA, 20 MILLION. MISCELLANEOUS RECEIPTS ACCOUNT FOR THE REST.

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INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 INR-07 NSAE-00 FAA-00 L-03 /027 W
----------171336Z 079633 /47
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CARACAS FOR SAM KEITER

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REF: STATE 030990

F. USDEL RAISEDTHE QUESTION OF DELTA'S NON-
PAYMENT OF OVERFLIGHT FEES ANDSUGGESTED SAID THAT IT
APPEARED THT THIS WAS ONE OF THE CASES MENTIONED
EARLIER IN THE DISCUSSION WHERE A RELATIVELY SHORT OVER-
FLIGHT WAS BEING CHARGED DISPROPORTIONATELY. USDEL
NOTED THAT DELTA HAD EXPRESSED ITS INTENTION OF PAYING
A REASONABLE FEE BUT FELT THAT THE CURRENT FEE WAS UN-
REASONABLE, PARTICULARLY SINCE DELTA HAD NO NEED FOR
THE SERVICE. THE CGLOMBIAN SIDE SAID THAT THEY WOULD
BE GLAD TO DISCUSS THE MATTER WITH DELTA AND, WHILE IT
MIGHT BE DIFFICULT FOR FISCAL REASONS TO REDUCE CHARGES
ALREADY ASSESSED, THAT THEY WOULD BE PREPARED TO CON-
SIDER A REDUCTION IN FUTURE CHARGES, IF IT INDEED
APPEARED THAT THE CHARGE WAS DISPROPORTIONATE TO THE
SERVICE.

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G. THE COLOMBIAN DELEGATION THEN NOTED THAT NON-
PAYMENT BY PANAM IS REALLY MORE SERIOUS, SINCE
PANAM HAS RUN UP A BILL TWICE AS LARGE AS DELTA'S
IN A MUCH SHORTER TIME.

H. WHEN USDEL SUGGESTED THAT FUNDS RECEIVED FOR
MISCELLANEOUS CHARGE ORDERS SHOULD BE REMITTABLE LIKE
FUNDS RECEIVED FOR TRANSPORTATION COMMENCING IN COLOMBIA,
THE COLOXBIAN SIDE SAID IT WOULD ASK THE CENTRAL BANK
AND MINISTRY OF FINANCE TO REVIEW THE QUESTION, AFTER
RECEIVING IT IN A WRITTEN FORM.

I. USDEL NOTED IN CONCLUSION THAT WHILE
MOST OF THE DISCUSSION HAD TAKEN PLACE IN TERMS OF
BRANIFF, WHICH IS THE MOST ACTIVE US AIRLINE IN
COLOMBIA, THE US GOVERNMENT EXPECTED THAT THE COLOMBIAN
GOVERNMENT WOULD TREAT ALL U.S. AIRLINES, BOTH SCHEDULED
AND NON-SCHEDULED, IN THE SAME MANNER AS IT TREATS
BRANIFF.

2. CLOSING THE DISCUSSION, THE CHAIRMAN OF THE COLOMBIAN
DELEGATION EXPRESSED HIS SATISFACTION WITH THE TALKS AND
HIS HOPE THAT IT WOULD BE POSSIBLE TO MEET MORE REGULARLY

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TO DISCUSS CIVIL AVIATION MATTERS, PARTICULARLY WHEN
THERE WERE NO CRITICAL ISSUES PENDING. THE US CHAIRMAN,
AFTER POINTING OUT THE PRACTICAL DIFFICULTIES CAUSED BY
LIMITED RESOURCES, AGREED THAT SUCH REGULAR CONSULTATIONS
COULD BE FRUITFUL.
SANCHEZ

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